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Summary of Consolidated Financial Results for the First Half of FY2022 (Unaudited)

(January 1, 2022 – June 30, 2022) [Japanese Standard] (Consolidated)

July 26, 2022

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 Date of filing of quarterly report to Ministry of Finance: August 10, 2022 Scheduled payment date for dividends: September 2, 2022
 Supplemental information: Yes
 Financial results briefing: Yes

(Amounts are rounded down to the nearest million yen.)

1. Consolidated financial results for the First Half of FY2022 (January 1, 2022 – June 30, 2022)

(1) Consolidated income information (The percentages represent the rates of increase (decrease) compared to the corresponding prior period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First Half of FY2022	303,686	14.7	80,909	15.7	92,123	24.7	68,558	22.4
First Half of FY2021	264,694	65.2	69,922	143.9	73,900	104.5	56,007	79.5

(Note) Comprehensive income First Half of FY2022: 129,308 million yen (71.2%) First Half of FY2021: 75,520 million yen (362.3%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First Half of FY2022	750.68	—
First Half of FY2021	604.18	—

(2) Consolidated balance sheet information

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
First Half of FY2022	803,401	713,413	88.7
FY2021	705,370	616,651	87.3

(Reference) Shareholders' equity First Half of FY2022: 712,527 million yen FY2021: 615,992 million yen

2. Dividend information

	Dividend per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2021	—	117.50	—	117.50	235.00
FY2022	—	117.50	—	—	—
FY2022 (Forecast)	—	—	—	117.50	235.00

(Note) Change in forecasted dividend during the period: None

3. Forecasted consolidated business performance for FY2022 (January 1, 2022 – December 31, 2022)

(The percentages represent the rates of increase (decrease) compared to the corresponding prior period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2022	580,000	6.1	161,000	8.6	174,500	14.4	128,400	10.7	1,408.84

(Notes) 1. Change in forecasted consolidated business performance during the period: Yes

2. Effective from the beginning of FY2022, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. Accordingly, the above forecasts of consolidated business performance reflect the adoption of this accounting standard, etc. As the application of the said standard, etc. has no effect on consolidated income information, the rates of increase (decrease) compared to the corresponding prior period are calculated based on consolidated business performance for FY2021.

*Notes

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries due to changes in scope of consolidation): Yes
New inclusion: - (Company name) Exclusion: 1 (Company name) DashAmerica, Inc. (Pearl Izumi USA)

(2) Application of accounting treatment specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

- ① Changes in accounting policies in accordance with revision of accounting standards: Yes
- ② Changes in accounting policies other than ① above: None
- ③ Changes in accounting estimates: None
- ④ Retrospective restatement: None

(4) Number of shares of common stock issued

① Number of shares of common stock issued at period-end (including treasury stock):	First Half of FY2022	91,160,100 shares	FY2021	92,390,000 shares
② Number of shares of treasury stock at period-end:	First Half of FY2022	21,117 shares	FY2021	420,938 shares
③ Average number of shares during the period (cumulative from the beginning of the fiscal year):	First Half of FY2022	91,329,328 shares	First Half of FY2021	92,699,635 shares

This quarterly financial report is outside the scope of quarterly review procedures by certified public accountants or audit corporations.

Explanation regarding the appropriate use of forecasts of business performance and other special items

The forecasts of consolidated business performance and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions that management believes reasonable and actual business performance may differ materially from those described in such statements due to various factors. For details of assumptions for the forecasts and other related items, please refer to Page 4 of the attached document. Shimano Inc. accepts no liability whatsoever for any direct or consequential loss arising from any use of this document.

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1. Qualitative Information on Consolidated Financial Performance for the Period under Review

(1) Results of Operations

During the first half of fiscal year 2022, while restrictions on economic activities to tackle the spread of the novel coronavirus (COVID-19) were eased, the pace of global economic recovery remained at a standstill due to soaring global resource prices caused by the situation in Ukraine, rising inflation and a slowdown in the Chinese economy, among other factors.

In Europe, although restrictions on movements were eased and the normalization of economic activities progressed, soaring energy prices caused inflation, which deteriorated consumer sentiment rapidly.

In the U.S., while the acceleration of inflation put downward pressure on economy, personal consumption remained steady backed by household savings accumulated by economic measures, in addition to sustained recovery in the labor market.

In China, under the zero-COVID strategy, restrictions on economic activities were tightened and personal consumption continued to be sluggish.

In Japan, there remained strong uncertainty over the rise in resource prices and the outlook for the situation of COVID-19. However, signs of a pickup were seen in personal consumption as the normalization of economic activities progressed.

In this environment, while some of the Shimano Group's factories experienced temporary shutdown due to lockdowns, demand for bicycles and fishing tackle remained firm, although showing signs of cooling down, and for the first half of fiscal year 2022, net sales increased 14.7% from the same period of the previous year to 303,686 million yen. Operating income increased 15.7% to 80,909 million yen, ordinary income increased 24.7% to 92,123 million yen, and net income attributable to owners of parent increased 22.4% to 68,558 million yen.

Reportable Segment Overview

① Bicycle Components

Although strong interest in bicycles that attracted attention globally started to cool down, demand for bicycles remained above the pre-COVID-19 levels. In terms of market inventories of completed bicycles, those of high-end class bicycles remained at a low level, as strong demand continued. Meanwhile, those of entry-class bicycles were at a high level as their supply caught up with the demand.

Overseas, in the European market, sales of bicycles and bicycle-related products remained firm backed by demand for e-bikes that remained strong. Market inventories of completed bicycles approached appropriate levels as demand in some regions showed signs of cooling down.

In the North American market, while demand for high-end class completed bicycles remained firm and market inventories remained at a low level, demand for middle-class bicycles showed signs of cooling down.

In the Asian and South and Central American markets, strong interest in bicycles cooled off. In the Japanese market, while demand for sport bikes and E-BIKE remained firm, retail sales were sluggish due partly to the inventory shortages of entry-class road bikes.

Under these market conditions, order-taking was brisk for a wide range of products, including the high-end models for road bikes, DURA-ACE and ULTEGRA, and sport E-BIKE components, SHIMANO STEPS series.

As a result, net sales from this segment increased 17.2% from the same period of the previous year to 249,203 million yen, and operating income increased 20.2% to 69,581 million yen.

② Fishing Tackle

Strong interest in fishing that attracted attention globally showed signs of cooling down.

In the Japanese market, while there were signs of a lull in the movement of products for families and beginners, sales of high- and mid-priced products were strong.

Overseas, in the North American market, although there were concerns about the impact of inflation, demand for fishing tackle remained strong, and sales remained favorable.

In the European market, sales remained firm despite the prolonged situation in Ukraine that affected neighboring countries.

In the Asian market, while sales in the Korean and Taiwanese markets remained strong, sales in the Chinese market were affected by restrictions on activities due to lockdowns.

In the Australian market, sales remained firm despite natural disasters such as flooding on the East Coast.

Under these market conditions, new products such as spinning reels STELLA and double spindle reels ALDEBARAN BFS were well-received in the market. In addition, spinning reels AERO TECHNIUM MGS, offshore rods GRAPPLER and GRAPPLER BB, and other products continued to make a great contribution

to sales.

As a result, net sales from this segment increased 4.5% from the same period of the previous year to 54,235 million yen, and operating income decreased 5.8% to 11,335 million yen.

③ Others

Net sales from this segment increased 14.2% from the same period of the previous year to 248 million yen and operating loss of 7 million yen was recorded, following an operating income of 3 million yen for the same period of the previous year.

(2) Financial Position

Assets, Liabilities and Net Assets

Total assets as of the end of the first half of fiscal year 2022 amounted to 803,401 million yen, an increase of 98,030 million yen compared with the figure as of the previous fiscal year-end. The principal factors included an increase of 53,557 million yen in cash and time deposits, an increase of 14,369 million yen in merchandise and finished goods, an increase of 12,298 million yen in buildings and structures, an increase of 9,660 million yen in notes and accounts receivable-trade, and a decrease of 11,301 million yen in construction in progress.

Total liabilities amounted to 89,988 million yen, an increase of 1,268 million yen compared with the figure as of the previous fiscal year-end. The principal factors included an increase of 6,420 million yen in others under current liabilities, a decrease of 3,131 million yen in short-term loans payable, and a decrease of 1,692 million yen in income taxes payable.

Net assets amounted to 713,413 million yen, an increase of 96,762 million yen compared with the figure as of the previous fiscal year-end. The principal factors included an increase of 60,143 million yen in foreign currency translation adjustments and an increase of 22,933 million yen in retained earnings.

Cash Flows

As of the end of the first half of fiscal year 2022, cash and cash equivalents amounted to 406,627 million yen, an increase of 48,853 million yen compared with the figure as of the previous fiscal year-end.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to 48,615 million yen compared with 58,907 million yen provided for the same period of the previous year. The main cash inflows included income before income taxes amounting to 90,282 million yen. The main cash outflows included income taxes paid amounting to 25,981 million yen, and inventories amounting to 13,355 million yen.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to 13,698 million yen compared with 10,772 million yen used for the same period of the previous year. The main cash inflows included proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation amounting to 4,867 million yen. The main cash outflows included acquisition of property, plant and equipment amounting to 8,395 million yen, purchases of time deposits amounting to 3,678 million yen, acquisition of intangible assets amounting to 3,349 million yen, and acquisition of investment securities amounting to 3,000 million yen.

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to 36,339 million yen compared with 26,195 million yen used for the same period of the previous year. The main cash outflows included acquisition of treasury stock amounting to 21,685 million yen and cash dividends to shareholders amounting to 10,804 million yen.

(3) Forecast for the Fiscal Year Ending December 31, 2022

Regarding consolidated business performance forecasts, the forecasts of ordinary income and net income attributable to owners of parent for the full year have been revised as follows due to the recording of non-operating income associated with the depreciation of Asian currencies caused by the ongoing the U.S. dollar's appreciation during the first half of fiscal year 2022.

Revisions to consolidated business performance forecast figures for FY2022 (January 1, 2022 – December 31, 2022)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	580,000	161,000	163,100	117,500	1,289.24
Revised forecast (B)	580,000	161,000	174,500	128,400	1,408.84
Difference (B-A)	—	—	11,400	10,900	
Change (%)	—	—	7.0	9.3	
Full year results for FY2021	546,515	148,287	152,562	115,937	1,252.62

The Company considers the return of earnings to shareholders to be one of the most important issues for management. The Company's basic policy is to continue providing stable returns reflecting overall business performance and strategy.

In accordance with the above policy, the Company intends to pay out interim cash dividends of 117.50 yen per share, the same amount as in the previous year. Cash dividends for the full year are expected to amount to 235 yen per share, also the same amount as in the previous year.

2. Consolidated Financial Statements and Primary Notes**(1) Consolidated Balance Sheets**

(Millions of yen)

	FY2021 As of Dec. 31, 2021	First Half of FY2022 As of Jun. 30, 2022
Assets		
Current assets		
Cash and time deposits	364,519	418,076
Notes and accounts receivable-trade	52,186	61,847
Merchandise and finished goods	55,528	69,898
Work in process	39,498	44,758
Raw materials and supplies	8,232	8,908
Others	8,876	9,988
Allowance for doubtful accounts	(298)	(376)
Total current assets	528,544	613,101
Fixed assets		
Property, plant and equipment		
Buildings and structures (net)	67,748	80,047
Machinery and vehicles (net)	21,298	25,593
Land	13,765	14,023
Leased assets (net)	4,973	5,342
Construction in progress	26,151	14,850
Others (net)	5,466	6,006
Total property, plant and equipment	139,405	145,863
Intangible assets		
Goodwill	3,274	3,333
Software	6,190	6,263
Others	6,663	8,118
Total intangible assets	16,128	17,715
Investments and other assets		
Investment securities	14,061	17,872
Deferred income taxes	6,053	7,162
Others	1,641	2,129
Allowance for doubtful accounts	(463)	(443)
Total investments and other assets	21,292	26,721
Total fixed assets	176,826	190,300
Total assets	705,370	803,401

(Millions of yen)

	FY2021 As of Dec. 31, 2021	First Half of FY2022 As of Jun. 30, 2022
Liabilities		
Current liabilities		
Accounts payable-trade	24,352	25,055
Short-term loans payable	3,133	2
Income taxes payable	23,170	21,477
Accrued employee bonuses	3,467	2,759
Accrued officer bonuses	172	77
Others	27,230	33,650
Total current liabilities	81,528	83,024
Long-term liabilities		
Long-term loans payable	2	1
Deferred income taxes	2,164	1,984
Net defined benefit liability	2,104	1,921
Others	2,920	3,055
Total long-term liabilities	7,191	6,963
Total liabilities	88,719	89,988
Net assets		
Shareholders' equity		
Common stock	35,613	35,613
Capital surplus	5,640	5,640
Retained earnings	566,263	589,197
Treasury stock	(13,284)	(182)
Total shareholders' equity	594,232	630,268
Accumulated other comprehensive income		
Unrealized gain (loss) on other securities	3,620	3,975
Foreign currency translation adjustments	18,139	78,282
Total accumulated other comprehensive income	21,759	82,258
Non-controlling interests	659	886
Total net assets	616,651	713,413
Total liabilities and net assets	705,370	803,401

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	First Half of FY2021 Jan. 1, 2021 to Jun. 30, 2021	First Half of FY2022 Jan. 1, 2022 to Jun. 30, 2022
Net sales	264,694	303,686
Cost of sales	154,960	175,735
Gross profit	109,734	127,951
Selling, general and administrative expenses	39,811	47,041
Operating income	69,922	80,909
Non-operating income		
Interest income	727	1,137
Dividend income	340	330
Foreign exchange gains	3,413	10,473
Others	361	452
Total non-operating income	4,843	12,393
Non-operating expenses		
Interest expenses	59	69
Contribution	651	746
Loss on disposal of fixed assets	80	53
Others	73	309
Total non-operating expenses	865	1,179
Ordinary income	73,900	92,123
Extraordinary income		
Insurance income	345	—
Total extraordinary income	345	—
Extraordinary losses		
Impairment loss	—	611
Subsidiary restructuring loss	—	474
Loss on sales of shares of subsidiaries	—	90
Loss on factory reconstruction	121	664
Total extraordinary losses	121	1,840
Income before income taxes	74,124	90,282
Income taxes-current	17,471	23,006
Income taxes-deferred	539	(1,401)
Total income taxes	18,011	21,604
Net income	56,113	68,678
Net income attributable to non-controlling interests	106	119
Net income attributable to owners of parent	56,007	68,558

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	First Half of FY2021	First Half of FY2022
	Jan. 1, 2021 to Jun. 30, 2021	Jan. 1, 2022 to Jun. 30, 2022
Net income	56,113	68,678
Other comprehensive income		
Unrealized gain (loss) on other securities	1,894	355
Foreign currency translation adjustments	17,513	60,274
Total other comprehensive income	19,407	60,630
Comprehensive income	75,520	129,308
(Breakdown)		
Comprehensive income attributable to owners of parent	75,388	129,057
Comprehensive income attributable to non-controlling interests	131	250

(3) Consolidated Statements of Cash Flows

	(Millions of yen)	
	First Half of FY2021	First Half of FY2022
	Jan. 1, 2021 to Jun. 30, 2021	Jan. 1, 2022 to Jun. 30, 2022
Cash flows from operating activities:		
Income before income taxes	74,124	90,282
Depreciation and amortization	9,050	10,231
Insurance income	(345)	—
Impairment loss	—	611
Interest and dividend income	(1,067)	(1,468)
Interest expenses	59	69
Foreign exchange losses (gains)	(2,607)	(8,204)
Notes and accounts receivable	(5,290)	(7,076)
Inventories	(6,138)	(13,355)
Accounts payable	(1,172)	(804)
Net defined benefit liability	(160)	(309)
Loss on factory reconstruction	121	664
Subsidiary restructuring loss	—	474
Loss (gain) on sales of shares of subsidiaries	—	90
Loss on sales and disposal of property, plant and equipment	60	26
Accrued bonuses	1,951	1,868
Others, net	2,693	425
Subtotal	71,278	73,525
Interest and dividend income received	1,036	1,147
Interest expenses paid	(57)	(76)
Insurance income received	345	—
Income taxes paid	(13,695)	(25,981)
Net cash provided by operating activities	58,907	48,615
Cash flows from investing activities:		
Purchases of time deposits	(1,643)	(3,678)
Proceeds from maturities of time deposits	169	194
Acquisition of property, plant and equipment	(7,484)	(8,395)
Acquisition of intangible assets	(1,634)	(3,349)
Payments for loss on factory reconstruction	(125)	(211)
Acquisition of investment securities	—	(3,000)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	4,867
Others, net	(54)	(126)
Net cash used in investing activities	(10,772)	(13,698)

(Millions of yen)

	First Half of FY2021 Jan. 1, 2021 to Jun. 30, 2021	First Half of FY2022 Jan. 1, 2022 to Jun. 30, 2022
Cash flows from financing activities:		
Short-term loans payable, net	(1)	(3,346)
Repayments of long-term loans payable	(3)	(5)
Repayments of lease obligations	(441)	(495)
Acquisition of treasury stock	(7)	(21,685)
Cash dividends to shareholders	(25,705)	(10,804)
Cash dividends to non-controlling shareholders	(35)	(2)
Others, net	—	1
Net cash used in financing activities	(26,195)	(36,339)
Effect of exchange rate changes on cash and cash equivalents	14,009	50,276
Net increase (decrease) in cash and cash equivalents	35,948	48,853
Cash and cash equivalents at beginning of period	300,197	357,773
Cash and cash equivalents at end of period	336,145	406,627

(4) Notes relating to Consolidated Financial Statements
(Note concerning Assumption of Going Concern)

Not applicable.

(Note on Significant Change in the Amount of Shareholders' Equity)

(Acquisition of treasury stock)

The Company acquired 518,000 shares of common stock on February 18, 2022 and 311,900 shares of common stock on March 16, 2022 through Off-auction Own Share Repurchase Trading (ToSTNeT-3) on the Tokyo Stock Exchange, based on the resolution of the Board of Directors meeting held on July 27, 2021. As a result, treasury stock increased by 21,685 million yen during the first half of fiscal year 2022, including the increase due to acquisition of fractional shares.

(Cancellation of treasury stock)

The Company canceled 400,000 shares of treasury stock on January 25, 2022 based on the resolution of the Board of Directors meeting held on January 18, 2022 and 829,900 shares of treasury stock on May 9, 2022 based on the resolution of the Board of Directors meeting held on April 26, 2022. As a result, capital surplus, retained earnings and treasury stock decreased by 1 million yen, 34,786 million yen and 34,787 million yen, respectively, during the first half of fiscal year 2022.

(Changes in Significant Subsidiaries during the Period)

DashAmerica, Inc. (Pearl Izumi USA) was excluded from the scope of consolidation in the second quarter of fiscal year 2022 because the Shimano Group transferred all of its shares.

(Changes in Accounting Policies)

(Adoption of the Accounting Standard for Revenue Recognition, etc.)

The Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard"), etc. at the beginning of the first quarter of fiscal year 2022. Accordingly, the Company recognized revenue at an amount it expected to receive in exchange for a promised good or service at a time when control over such good or service was transferred to a customer.

As a result, with regard to chargeable supplied transactions within group companies, while the Company recognized the disposal of supplied items such as raw materials provided for a fee in the past, the method has been changed so that, in cases where the Company carries the obligation of buying back the supplied items, the disposal of the supplied items is not recognized.

In adopting the Revenue Recognition Accounting Standard, etc., the Company followed the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. Accordingly, the Company adjusted retained earnings as of the beginning of the first quarter of fiscal year 2022 with the cumulative effect that would be obtained if the Company retrospectively adopted the new accounting policy prior to the beginning of the first quarter of fiscal year 2022, and adopted the new accounting policy with the adjusted beginning balance.

As a result, these changes in accounting policies do not affect the beginning balance of retained earnings and gain or loss for the first half of fiscal year 2022.

In accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information that disaggregates revenue from contracts with customers for the first half of the previous fiscal year is not provided.

(Adoption of the Accounting Standard for Fair Value Measurement, etc.)

The Company adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Fair Value Measurement Accounting Standard"), etc. at the beginning of the first quarter of fiscal year 2022. According to the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company will continue to adopt new accounting policies set forth by the Fair Value Measurement Accounting Standard, etc. in the future. There is no impact on the quarterly consolidated financial statements.

(Segment Information)

First Half of FY2021 (Jan. 1, 2021 – Jun. 30, 2021)

Information on net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
Third parties	212,599	51,877	217	264,694	—	264,694
Inter-segment	—	—	—	—	—	—
Total	212,599	51,877	217	264,694	—	264,694
Segment income (loss)	57,885	12,033	3	69,922	—	69,922

Note: There is no difference between total segment income (loss) and operating income in the consolidated statements of income.

First Half of FY2022 (Jan. 1, 2022 – Jun. 30, 2022)

Information on net sales and income (loss) by reportable segment and disaggregation of revenue

(Millions of yen)

	Reportable Segment				Adjustment	Consolidated Financial Statements
	Bicycle Components	Fishing Tackle	Others	Total		
Net sales						
Goods to be transferred at a point in time	249,203	54,235	248	303,686	—	303,686
Goods to be transferred over a period of time	—	—	—	—	—	—
Revenue from contracts with customers	249,203	54,235	248	303,686	—	303,686
Third parties	249,203	54,235	248	303,686	—	303,686
Inter-segment	—	—	—	—	—	—
Total	249,203	54,235	248	303,686	—	303,686
Segment income (loss)	69,581	11,335	(7)	80,909	—	80,909

Notes: 1. There is no difference between total segment income (loss) and operating income in the consolidated statements of income.

2. Net sales includes revenue from contracts with customers and other revenue; however, most of the revenue is generated from contracts with customers, therefore other revenue is not deemed important and is thus not displayed separately.